

Comptroller's Directive No. 1-16
Attachment 19
Internal Service Funds – Conversion to Government-wide Statement of Activities

Purpose

GASBS No. 34 states that internal activity and balances should be eliminated from the Government-wide Statement of Activities. This elimination should remove the “doubling-up” effect of reporting the original disbursement activity in the paying funds and in the internal service fund. The following spreadsheets have been developed to eliminate the internal activity. They are as follows:

- Summary of Revenue by State Agency – Internal Activity (Part 1)
- Summary of Revenue by External Party (Part 2)
- Schedule to Eliminate the Effect of Internal Service Fund Activity for the Government-wide Statement of Activities (Part 3)
- Control Sheet (Part 4)
- Certification
- Revision Control Log

Note: Part 3 follows exercise #4 (Appendix B7-3) in the Implementation Guide No. 2015-1. It is recommended that each agency obtain a copy of this Guide (available at <https://gars.gasb.org/>) for better understanding of this attachment.

This attachment is similar to the prior year’s Attachment 20.

Questions

For questions or to request detailed training from an analyst, please contact: AttachmentAnalyst@doa.virginia.gov.

Please reference the attachment number in the subject line of the e-mail.

Due date

August 11, 2016

Data entry

Only cells highlighted in yellow allow for data entry. Error messages in cells are intended to alert preparers that established parameters are not being followed. **Failure to correct Errors or provide answers to all required questions prior to submission will prohibit acceptance of the attachment. Selected cells requiring a response will be populated with an “Answer Required” message until a response is entered.**

Continued on next page

Comptroller's Directive No. 1-16

Attachment 19

Internal Service Funds – Conversion to Government-wide Statement of Activities

Certification

The **Certification** tab requires all preparers and reviewers to type their name on this form. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any tab. **By typing a name, the preparer is certifying that all of the questions have been completed and are accurate; the reviewer is certifying that the attachment has been reviewed and is complete and accurate; the preparer and reviewer were not the same individual for any tab; and the preparer and reviewer have read and understood the instructions for the attachment. If agency staffing does not allow for a different preparer and reviewer, please contact DOA.**

Applicable agencies

This attachment is applicable to the following agencies and their internal service funds. *Each agency will need to complete a separate attachment for each internal service fund.*

<i>Agency</i>	<i>Fund</i>
Department of Accounts	Payroll Service Bureau Enterprise Applications Payroll
Department of General Services	Fleet Management Property Management – Real Estate Services Maintenance & Repair General Services – Virginia Distribution Center Consolidated Laboratory Graphic Communications Federal Surplus Property State Surplus Property Engineering Services
Department of Human Resource Management	Workers Compensation Health Insurance Fund
Department of the Treasury	Risk Management
Virginia Correctional Enterprises	All
Virginia Information Technologies Agency	Aggregate all internal service funds

Continued on next page

Comptroller's Directive No. 1-16
Attachment 19
Internal Service Funds – Conversion to Government-wide Statement of
Activities

Submission requirements

Contact DOA if the agency has any problems with the files.

After downloading the file, rename the spreadsheet file using the agency number followed by the internal service acronym followed by Att19. For example, the Department of General Services' (agency 194) Fleet Management fund, should rename its Attachment 19.xlsx file as DGS-Fleet Management-Att19.xlsx.*

Submit the Excel spreadsheet electronically to finrept-agyatt@doa.virginia.gov.

Please include **Agency Number** and **Attachment Number** in the **subject line** of the submission e-mail.

Copy APA via e-mail to APAFinRept@apa.virginia.gov.

Do not submit paper copies of the Excel attachment.

For your convenience, the contact information in all but the first tab in each attachment/template has been unlocked and shaded yellow. The contact information continues to be auto filled with the information from the first tab but the cells remain unlocked to allow for more than one preparer to complete the attachment.

***Note: If the agency has an earlier version of Excel and has problems opening the attachment file, DOA can provide the attachment saved in an earlier version of Excel (.xls).**

Continued on next page

Comptroller's Directive No. 1-16
Attachment 19
Internal Service Funds – Conversion to Government-wide Statement of Activities

**Attachment
revisions**

If attachment revisions are made subsequent to DOA acknowledgement of receipt and acceptance of the original attachment submission, **resubmit the revised attachment AND complete the Revision Control Log tab in the attachment Excel file.**

Enter the revision date, applicable Excel file tab name, row number and column letter revised, and the previous and revised information. Document text changes and numerical changes. Only enter changes for amounts actually keyed. For example, if a non-keyed, calculated total changes as a result of the revision, this does not need to be documented on the Revision Control Log.

If the attachment is revised more than once, do not delete control log revision information from the previous revision. Enter the new revision date and the additional revisions in the rows following the initial revision rows. This log should document all revisions from the initial attachment submission.

Include “**REVISED – date**” in the **subject line** of the submission e-mail as well as in the **file name**. Resubmit the revised attachment; and ensure that the **Revision Control Log** tab has been completed.

Each time a revision is submitted the Certification tab should be updated with new signatures and dates.

Continued on next page

Comptroller's Directive No. 1-16
Attachment 19
Internal Service Funds – Conversion to Government-wide Statement of Activities

Overview

A Government-wide Statement of Activities MUST be presented in the Commonwealth's CAFR. Internal service fund agencies are not required to prepare a Statement of Activities. Therefore, the Financial Reporting Unit must obtain information to convert the Statement of Revenues, Expenses, and Changes in Fund Net Position to the Government-wide Statement of Activities format. Internal activity must be eliminated. This elimination should remove the "doubling-up" effect of reporting the original disbursement activity in the paying funds and in the internal service fund. In summary, this conversion requires the following:

- Only external and non-program activity must be reported as revenues and expenses or transfers on the Government-wide Statement of Activities.
- The residual amount of Change in Net Position after excluding the external and non-program activity must be allocated back to the government-wide functions. The percentages for the allocation will be based on the amount of internal revenue by State agency divided by total internal revenue. Each state agency will be assigned a function based on the nature of the agency or the agency's enterprise funds. Below is a listing of the government-wide functions:

Governmental:

- General Government
- Education
- Transportation
- Resources and Economic Development
- Individual and Family Services
- Administration of Justice

Continued on next page

Comptroller's Directive No. 1-16
Attachment 19
Internal Service Funds – Conversion to Government-wide Statement of
Activities

Overview,
continued

Business-type:

- Virginia Lottery (Agency 172)
- Virginia College Savings Plan (Agency 174 – Virginia529 prePAID only)
- Unemployment Insurance (Agency 182 – CARS Funds 0700 and 0793, and Cardinal Funds 07182 and 07930)
- Alcoholic Beverage Control (Agency 999)
- Behavioral Health Local Funds (Agency 720 – Canteen and Local Activity Fund)
- Consolidated Laboratory (Agency 194 – CARS Funds 0501 and 0502, and Cardinal Funds 05010 and 05020)
- Department of Environmental Quality – Title V (Agency 440 – CARS Fund 0510 and Cardinal Fund 05100)
- eVA Procurement (Agency 194 – CARS Fund 0505 and Cardinal Fund 05050)
- Local Choice (Agency 149 – CARS Fund 0520 and Cardinal Fund 05200)
- Risk Management (Agency 152 – CARS Funds 0745, 0746, and 0747, and Cardinal Funds 07451, 07461, and 07470)
- Route 460 Funding Corporation of Virginia (Agency 501)
- Science Museum of Virginia (Agency 146 – Gift Shop)
- Virginia Industries for the Blind (Agency 702 – CARS Funds 05XX and Cardinal Funds 05XXX)
- Virginia Museum of Fine Arts (Agency 238 – Gift Shop and Food Service – CARS Fund 0500 and Cardinal Fund 05238)
- Wireless E-911 Service Board (Agency 136 – CARS Fund 0928 and Cardinal Fund 09281, and Agency 162 – CARS Fund 0928 and Cardinal Fund 09280)

Continued on next page

Comptroller's Directive No. 1-16

Attachment 19

Internal Service Funds – Conversion to Government-wide Statement of Activities

External activity

Some examples of external parties include localities, corporations, and other non-state organizations. The following State agencies/institutions are considered an external party because they are either a discrete component unit, related organization, or State agency with primarily fiduciary funds.

- Higher Education Institutions (various agency codes)
- Institute for Advanced Learning and Research (Agency 885)
- Innovation & Entrepreneurship Investment Authority (Agency 934)
- New College Institute (Agency 938)
- Roanoke Higher Education Authority (Agency 935)
- Southern Virginia Higher Education Center (Agency 937)
- Southwest Virginia Higher Education Center (Agency 948)
- Virginia College Building Authority (Agency 941)
- Small Business Financing Authority (Agency 350 – CARS Funds 0243, 0715, 0900, 0901, 0930, 0943, 0957, and Cardinal Funds 02430, 07153, 09352, 09011, 09302, 09431, and 09570)
- Virginia Commission for the Arts (Agency 148 – CARS Fund 0910 and Cardinal Fund 09103)
- Tobacco Region Revitalization Commission (Agency 851)
- Virginia College Savings Plan (Agency 174 – Virginia529 inVEST)
- Virginia Department of Forestry (Agency 411 – CARS Fund 0909 and Cardinal Fund 09094)
- Virginia Economic Development Partnership (Agency 310)
- Virginia Land Conservation Foundation (Agency 199 – CARS Fund 0918 and Cardinal Fund 09180)
- Virginia Port Authority (Agency 407)
- Virginia Retirement System (Agency 158 – all funds)
- Virginia Foundation for Healthy Youth (Agency 852)
- Virginia Tourism Authority (Agency 320)
- Line of Duty OPEB (Agencies 158 and 162 – CARS Fund 0742 and Cardinal Fund 07420)

Internal activity

Internal parties are most State agencies **except** for Higher Education institutions, other discrete component units, related organizations, and agencies with primarily fiduciary funds.

Continued on next page

Comptroller's Directive No. 1-16

Attachment 19

Internal Service Funds – Conversion to Government-wide Statement of Activities

Spreadsheet instructions for internal activity (part 1)

In order to identify the internal activity that must be eliminated from the CAFR, follow these instructions.

Note: This spreadsheet has listed the State agencies that are considered internal parties and their functions. This spreadsheet is sorted in agency # order.

<i>Step</i>	<i>Action</i>
-	Record the contact information, including the fund's (or agency's) vendor ID. A separate spreadsheet must be prepared for each internal service fund specifically identified on Instructions – Page 1.
1	Record the amount of revenue that has been reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position template that was received and/or will be received (Due from Other State Agencies) from each internal party. Note: Some agencies are completely business-type agencies. Other agencies have one or more funds that are business-type. Agencies that have governmental and business-type activity are listed on the spreadsheet twice. One line item is to report revenue received from the governmental funds of the agency. The second line item is to report revenue received from the business-type funds of the agency.
2	The percentages on the worksheet are automatically calculated by a formula (internal activity revenue by agency/total internal activity revenue). After all amounts have been keyed in, the total of the percentage column should equal 100%.
3	Record the amount that is included in Step 1 that is also included in the Due from Other State Agencies amount reported on the Statement of Net Position template from each internal party.

Continued on next page

Comptroller's Directive No. 1-16
Attachment 19
Internal Service Funds – Conversion to Government-wide Statement of
Activities

**Spreadsheet
instructions for
internal activity
(part 1),
continued**

Calculation of Percentages by Function:

After all information has been entered for Part 1, this information needs to be copied to another spreadsheet to sort and subtotal by function. Below are suggestions for calculating this information. This new spreadsheet does not have to be sent to DOA. Retain for the Auditor of Public Accounts or DOA to review, if requested.

Copy the rows of information as follows:

- Highlight the header row and rows of information.
- Use the edit/copy/paste special/values menu item to copy the information to a new spreadsheet.

Note: The paste special/values menu item allows the cells to be copied as values rather than formulas.

- Use the data/sort menu item to sort the spreadsheet by the function column.
- Use the data/subtotal menu item to get subtotals for the revenue column and percentage column. The subtotals should be for the following functions:

Governmental:

General Government
Education
Transportation
Resources and Economic Development
Individual and Family Services
Administration of Justice

Continued on next page

Comptroller's Directive No. 1-16
Attachment 19
Internal Service Funds – Conversion to Government-wide Statement of
Activities

Spreadsheet
instructions for
internal activity
(part 1),
continued

Business-type:

Virginia Lottery
Virginia College Savings Plan
Unemployment Insurance
Alcoholic Beverage Control
Behavioral Health Local Funds
Consolidated Laboratory
Department of Environmental Quality – Title V
eVA Procurement
Local Choice
Risk Management
Route 460 Funding Corporation of Virginia
Science Museum of Virginia
Virginia Industries for the Blind
Virginia Museum of Fine Arts
Wireless E-911 Service Board

Note: These percentages will be used in Part 3, Step 6 (see Instructions – Page 13). Maintain this documentation for the Auditor of Public Accounts or DOA to review, if requested.

Continued on next page

Comptroller's Directive No. 1-16

Attachment 19

Internal Service Funds – Conversion to Government-wide Statement of Activities

Spreadsheet instructions for external activity (part 2)

In order to identify the external activity that must be recorded in the Government-wide Statement of Activities, follow these instructions.

Note: This spreadsheet has listed the State agencies that are considered external because they are either a discrete component unit, related organization, or a State agency with primarily fiduciary funds. This spreadsheet is sorted by Agency # under each change in function.

<i>Step</i>	<i>Action</i>
-	For your convenience, the yellow boxes have been auto filled with the contact information from the Part 1-Internal tab (part 1). However, the yellow boxes remain unlocked to allow for more than one preparer to complete the attachment.
1	Beginning at row 91, record the name of other external parties that are not considered State agencies. Note: HIF should report Retiree premiums here, excluding pre-medicare retiree premiums which must be reported in the OPEB fund. Note: Revenues from localities can be combined into one amount.
2	Record the amount of revenue that has been reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position that was received and/or to be received (receivable) from each external party.
3	This cell is a formula that calculates the total amount of external revenue by function and total external activity revenue. This amount will also be recorded in Part 3, Step 4 (see Instructions – Page 12).

Continued on next page

**Comptroller's Directive No. 1-16
Attachment 19**

Internal Service Funds – Conversion to Government-wide Statement of Activities

Spreadsheet instructions for conversion to government-wide statement of activities (part 3)

In order to convert the Statement of Revenues, Expenses, and Changes in Fund Net Position to the Government-wide Statement of Activities, follow these instructions. Also, Implementation Guide No. 2015-1, exercise #4 (Appendix B7-3), gives an example for completing this spreadsheet.

<i>Step</i>	<i>Action</i>
-	For your convenience, the yellow boxes have been auto filled with the contact information from the Part 1-Internal tab (part 1). However, the yellow boxes remain unlocked to allow for more than one preparer to complete the attachment.
1	Record the total “Change in Net Position” from the Statement of Revenues, Expenses, and Changes in Fund Net Position template.
2	Record activity that corresponds to nonoperating line items. This activity will be excluded from the amount to be allocated to the program line items in step 6. Therefore, revenue items are shown as a negative amount (subtract from the “Change in Net Position”) and disbursement items are shown as a positive amount (add back to the “Change in Net Position”).
3	This cell subtotals the amounts from steps 1 and 2. It is a formula. This subtotal represents the amount that must be assigned to functions and should equal Operating Income (Loss) on the template.
4	Record expenses from external activity by function. The external revenue amounts are linked from Part 2. External activity includes revenue from external parties and the related expenses. This activity will be excluded from the amount to be allocated to the program line items in step 6. Therefore, revenue is shown as a negative (subtract from the “Change in Net Position”) and expenses are shown as a positive line item (add back to the “Change in Net Position”). The external activity revenue amount is determined in Part 2. The expenses related to these revenues must be determined. One way to calculate expenses is to take the external activity revenue amount less the markup percentage amount. For example, if total external sales are \$99,000 and the markup percentage is 10%, then the expenses would be \$90,000. Each agency must document how these expenses are determined and maintain that documentation for the Auditor of Public Accounts or DOA to review, if requested.

Continued on next page

Comptroller's Directive No. 1-16
Attachment 19
Internal Service Funds – Conversion to Government-wide Statement of Activities

Spreadsheet instructions for conversion to government-wide statement of activities (part 3),
continued

<i>Step</i>	<i>Action</i>
5	This cell is a formula and subtotals the amounts from steps 3 and 4. This subtotal represents the amount that must be allocated among the Commonwealth's programs.
6	Enter the allocation percentages as determined in Part 1 on Instructions – Page 8. The spreadsheet has a formula to calculate the amount to allocate to each of the functions.
7	Step 7 automatically populates the amounts placed into steps 2 and 4. For step 7 though, revenues are shown as positive amounts and expenses are shown as negative amounts.
8	Step 8 automatically populates the amounts allocated to the functions from step 6.
9	<p>Answer yes or no to the three questions at the bottom of this spreadsheet.</p> <ul style="list-style-type: none"> • The Change in Net Position in Step 1 should equal the Change in Net Position on the Statement of Revenues, Expenses, and Changes in Fund Net Position. • The total allocation amounts in the governmental activities plus the business-type activities columns should equal the change in net position recorded in step 1. • The total of the percentages in step 6 should equal 100%. <p>If these amounts do not agree, investigate differences and revise the spreadsheet as deemed necessary to bring the amounts into agreement.</p>

Spreadsheet instructions for control sheet (part 4)

Complete Control Sheet (Part 4).

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